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DEPARTMENT OF STATE

Memorandum of Conversation
TELEPHONE

859

DATE: August 27, 1954
6:00 p.m.

SUBJECT: Guatemala

PARTICIPANTS: American Ambassador John E. Peurifoy - in Miami, Florida.
Assistant Secretary Henry F. Holland

COPIES TO: MID - Mr. Newbegin
MID - Mr. Leddy
Embassy Guatemala - informally

714.00/8-27

1-1403

Mr. Holland telephoned Ambassador Peurifoy in Miami. He said that he had had a meeting on the question of asylees this afternoon. Background of matter is that we proposed to him a method of disposing of the asylees which would require the cooperation of the Mexicans. Amb. Peurifoy had found it acceptable to the Guatemalans and we had put it up to the Mexicans, but have had no reply except that the President is deeply involved in the preparation of his September 2 message. If the pressure on the Guatemalans is very strong to dispose of the asylees, Mr. Holland suggested that the Guatemalans continue granting from time to time small numbers of safe-conducts beginning over at the blue end of the spectrum and working over to the red, so that they will always have ahead of them the tough cases. He said we would press the Mexicans for a decision and should have one by the end of next week. If favorable, that would be fine, but, whatever it is, when we have gotten to the point where we will have to make a decision as to what we shall ask the Guatemalans to do it will depend on what appears to be best at that time.

Amb. Peurifoy said that Castillo Armas had told him the other day that they would wait until they heard from us and then two days later they issued about 200 safe-conducts, so it looked like he had double-crossed us. Mr. Holland asked what Amb. Peurifoy thought the trouble was and he said Castillo Armas doesn't know how to make a decision and stick to it. Mr. Holland said they should issue just enough safe conducts to the least offensive people to keep peace. In reply to Amb. Peurifoy's question Mr. Holland said he was disposed to make the trip to Mexico but that we had not heard any Mexican reaction yet.

Drafted by: [illegible] 2/9/57

Mr. Holland

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Mr. Holland mentioned seeing a letter to Amb. Peurifoy stating that the Guatemalans had $10 million of credit holdings with the Central Bank and it would enable them to meet short-term needs and asked if that were accurate. Amb. Peurifoy said that there was some doubt about it—he doesn't think the Guatemalans know what is the state of things. Amb. Peurifoy said nothing definite had yet been worked out about the financial experts going down. Re Banning, they turned it down because of the long term involved. Mr. Holland suggested that Banning might go down for two or three weeks to determine exactly what would be required. Amb. Peurifoy thought it would be a good idea—that something should be done right away.

Mr. Holland asked if Cordova Cerna had gotten back to Guatemala. Amb. Peurifoy said he had talked with him for two hours. Cordova Cerna had indicated that if Castillo Armas did not take some decisions and move ahead they would take steps to get rid of him. They were getting fed up with his dilatory tactics. Mr. Holland asked if Monzon would be the one to lead to group against him. Amb. Peurifoy said no, that Cordova Cerna would. Cordova Cerna mentioned Monzon and said they would like to get rid of him but the $64 question was how. They wanted Amb. Peurifoy to do it. Amb. Peurifoy said he told them he thought it was their job, not his, but that he would do whatever he properly could to help them. Amb. Peurifoy said that Monzon was by far the best man, the most intelligent and the only man in the administration who is doing any work. With regard to Mr. Holland's question about the status of Cordova Cerna, Amb. Peurifoy said that although there had been a lot of lip-service he had not yet been taken into the fold. Cordova Cerna told Amb. Peurifoy that he would like to see him on his return and talk with him and then Amb. Peurifoy would know more.

Mr. Holland asked what the attitude of Castillo Armas was, asked if he was moving in a cloud. Amb. Peurifoy said Castillo Armas thought he was making progress, but he isn't; that he lacks decisiveness. Mr. Holland asked if he would cling to his position. Amb. Peurifoy said that he thought if Cordova Cerna talked to him along the lines he had mentioned to Amb. Peurifoy it might get him to move forward.

Mr. Holland asked if the Communists were reorganizing. Amb. Peurifoy said there were indications that they had gone underground, but there was no open or official action.

In connection with Amb. Peurifoy's plans to leave Guatemala on September 10, Mr. Holland asked whether he should not urge the Secretary to let him stay on longer. Amb. Peurifoy said he did not want to bring it up himself. Since Mr. Holland said Mr. Mann would be there within seven days, Amb. Peurifoy said that might be sufficient, but that since Mr. Mann did not have the title it would be hard to get things done. Since Amb. Armour was due to arrive on October 15 it would agreed that Mr. Holland would ask the Secretary if Amb. Peurifoy could remain until October 1. Mr. Holland said he would hope to get a cable out to Amb. Peurifoy on Monday.

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With regard to roads, Mr. Holland said that we had had talks with the Bureau of Public Roads. They are prepared to go ahead and all that is now necessary is the paper work--approval of President and notice to other agencies, etc. Mr. Holland has urged them to send a man (engineer) down right away without waiting for the paper work to be completed and thinks they will do so.

Regarding long-term loan, we have written the International Bank today outlining long-term projects that have been proposed and amounts of money contemplated and that these fall within the IBRD's study and asking Mr. Garner to meet with us to determine whether the IBRD will handle them or whether they should go to the other bank.

Regarding short-term loan, Mr. Holland said our people went over and saw the Treasury people and Amb. Peurifoy should have something from them by the time he returns to Guatemala.

Regarding the FOA, Mr. Holland said we had received a cable today that the basic agreement is satisfactory and requesting authorization for Amb. Peurifoy to sign it. Now only certain subsidiary agreements need to be handled. We have suggested to Mr. McNayr, Acting Head of the IIAA, that he go down and he has indicated that he thought that would be the solution. Regarding a Country Director, Mr. Holland said the FOA now has named a man whose appointment should go through and they hope to get him down by the end of next week.

Amb. Peurifoy asked if Mr. Holland had received his letter clearing up his statement about the Railroad. Mr. Holland said he had, but that he couldn't understand the difference between the Railroad and the Fruit Company since they were the same thing. Amb. Peurifoy said he thought it was a matter of the personalities involved.

ARA:MKarydakis